

## EXECUTIVE SUMMARY

### KING COUNTY

**Appraisal Date:** 01/01/2006 – 2006 Assessment Year (Taxes Payable 2007)

**Specialty Name:** Apartment Properties

**Analysis Summary:** Sales, improved

Number of Sales: 1,497

Range of Sales Dates: 01/02/2003 – 12/30/2005

	Average Assessed Value	Weighted Mean Ratio	COV
<b>2005 Value</b>	\$2,002,700	84.0%	18.7%
<b>2006 Value</b>	\$2,353,600	99.8%	15.9%
<b>Change</b>	\$350,900	+15.8%	-2.8%
<b>% Change</b>		+18.8%	-15.0%

COV (Coefficient of variation) is a measure of uniformity, the lower the number the better the uniformity. The above numbers represent an improvement in uniformity.

Sales used in analysis: All apartment sales verified as good were included in the analysis.

#### Population, Parcel Summary Data:

Number of parcels in the apartment population: 11,712. Includes associated vacant parcels.

Total Previous Assessed Value	\$17,093,009,621
Total Proposed Assessed Value	\$20,280,083,904
Percent Change	+18.6 %

#### Conclusion and Recommendation:

Since the values recommended in this report improve uniformity, assessment level, and equity, it is recommended that they be posted for the 2006 assessment roll.

# Analysis Process

## Appraisal Team Members and Participation

Rick Davison is assigned primary responsibility for the apartment values and was assisted by the following:

Loren Greenwalt performed the functions of data collection, sales verification, collection of rent information, drawing, and valuation of new construction.

John Berg, Becky Blackstock, and Don Torguson performed the functions of data collection, sales verification, collection of rent information, drawing, physical inspection, and valuation.

Kevin Biggers, Russ Butler, Yuen Chin, Michelle LeCompte, Meredith Medved, Raphael Roberge, Steve Wilson, Raney Wright, and Bruce Zelk assisted in the valuation phase. Geographic Area appraisers set the land values for properties in the apartment specialty.

## Highest and Best Use Analysis

Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use or the improvements don't add to the total a token value of \$1,000 is assigned to the improvements.

## Special Assumptions and Limiting Conditions

The sales comparison, cost, and income approaches were considered for this mass appraisal valuation.

- ✚ No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. See item 10 in the addendum, Assessor's Memo. The utilization of at least three years of market information without time adjustments results in an averaging of net changes over that time period, although the appraiser may consider recent sales to be more indicative of current conditions.
- ✚ While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and rents. In some areas, this may have an impact on assessed value to sale price relationships including coefficients of variation and dispersion and on ratios. An attempt was made to value all properties uniformly with similar properties.
- ✚ This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## Identification of the Area

### Name or Designation:

The apartment specialty includes all apartment properties in King County with four or more units. Mixed-use properties where the commercial area is no more than 25% of the total net area are also part of the apartment specialty. Condominium complexes used as rental properties are appraised as apartments. All apartment properties in King County are identified in the Assessor's records as Area 100. In addition each apartment property is assigned a neighborhood. The table below lists the neighborhood numbers and their corresponding names.

Neighborhood Number	Name	Neighborhood Number	Name
5	Downtown	155	Phinney
10	Regrade	160	Seward Park
15	Lower Queen Anne	165	Skyway
20	South Lake Union	170	Rainier Valley
25	Pioneer Square	175	Beacon Hill
30	International	185	Georgetown
35	Central District	190	South Park
40	Madison Park	195	White Center
45	Queen Anne	200	Highland Park
50	North Queen Anne	205	Westwood
55	Westlake	215	High Point
60	Eastlake	220	Delridge
65	Capitol Hill	225	Junction
70	Montlake	230	Alki
75	Magnolia	235	Admiral
80	Interbay	240	Des Moines
85	First Hill	245	Burien
90	Aurora	250	Boulevard Park
95	Lake City	255	Sea Tac
100	Northgate	260	Midway
105	Crown Hill	265	Valley
110	University	270	Federal Way
115	Wallingford	275	Federal Way East
120	Ravenna	280	Federal Way West
125	Wedgewood	285	Auburn
130	Fremont	290	Lea Hill
135	Leary	295	Algona
140	East Ballard	300	Enumclaw
145	West Ballard	305	Kent
150	Greenlake		

Neighborhood Number	Name	Neighborhood Number	Name
310	East Hill	395	Kingsgate
315	Renton	400	Kenmore
320	Benson	410	Ballinger

325	Tukwila	415	North City
330	Renton Highlands	420	Richmond
335	Newcastle	425	Woodinville
340	Mercer Island	430	Redmond
345	Eastgate	440	Carnation
350	Issaquah	445	Fall City
355	Kennydale	450	North Bend
360	Bellevue West	455	Pine Lake
365	Bellevue East	460	Duvall
370	Kirkland	465	Snoqualmie
375	Overlake	470	Outlying
380	Juanita	475	Vashon
385	Bothell	900	Subsidized
390	Inglewood		

**Boundaries:** All of King County

### **Maps:**

See the neighborhood maps in the addendum, Area Maps of this report. Assessor's maps showing parcel boundaries are located on the 7th floor of the King County Administration Building.

### **Physical Inspection Area:**

Apartments in neighborhoods 050, 055, 110, 115, 120, 125, 175, 265, 270, 275, 280, 440, 445, 450, 460, 465, 470, and 475 were physically inspected. This includes low-income apartments in these neighborhoods. All other apartment neighborhoods were valued as annual update neighborhoods.

### **Preliminary Ratio Analysis**

A preliminary ratio analysis was done in August, 2006 using the 2005 assessed values. The ratio study was repeated using the proposed 2006 valuations. The weighted mean ratio for the county before valuation was 0.84 and the median was 0.86. After valuation it was 0.99 for the weighted mean and the median was 1.01. A summary appears near the beginning of this report and the complete ratio studies are in addenda, Ratios Before and Ratios After.

### **Scope of Data**

Sales used in the model occurred from 01/02/2003 to 04/25/2006. Rental information was obtained from property owners and from published sources such as COMPS Service and the internet. Rents used were collected from February, 2005 through March, 2006. Sales and rental data are contained in the addenda.

## **Land Value Data**

Land values are the responsibility of the neighborhood appraisers. See the appropriate area reports for discussions of land valuation.

## **Improved Parcel Total Value Data**

A valuation model is created for all the apartments in King County. Up to six indicators of value are provided for each parcel. One of them, individual comparable sales, is optional. The appraiser may or may not choose to select comparable sales. The other five indicators are the income approach value, gross income multiplier value, multiple regression value, cost approach value, and weighted value.

All parcels in the physically inspected areas were individually reviewed by the area appraisers for correctness of the model application before final value was selected. Each appraiser can adjust any or all of the factors used to establish value by the model.

In arriving at a reconciled value the appraiser considers the provisions of RCW 84.40.030 which says in part:

“The true and fair value of real property for taxation purposes (including property upon which there is a coal or other mine, or stone or other quarry) shall be based upon the following criteria:

(1) Any sales of the property being appraised or similar properties with respect to sales made within the past five years. The appraisal shall be consistent with the comprehensive land use plan, development regulations under chapter [36.70A](#) RCW, zoning, and any other governmental policies or practices in effect at the time of appraisal that affect the use of property, as well as physical and environmental influences. An assessment may not be determined by a method that assumes a land usage not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes. The appraisal shall also take into account: (a) In the use of sales by real estate contract as similar sales, the extent, if any, to which the stated selling price has been increased by reason of the down payment, interest rate, or other financing terms; and (b) the extent to which the sale of a similar property actually represents the general effective market demand for property of such type, in the geographical area in which such property is located. Sales involving deed releases or similar seller-developer financing arrangements shall not be used as sales of similar property.

(2) In addition to sales as defined in subsection (1) of this section, consideration may be given to cost, cost less depreciation, reconstruction cost less depreciation, or capitalization of income that would be derived from prudent use of the property. In the case of property of a complex nature, or being used under terms of a franchise from a public agency, or operating as a public utility, or property not having a record of sale within five years and not having a significant number of sales of similar property in the general area, the provisions of this subsection shall be the dominant factors in valuation. When provisions of this subsection are relied upon for establishing values the property owner shall be advised upon request of the factors used in arriving at such value.”

## Change in assessed value from previous roll

See the Analysis Process section of this report for a listing of the neighborhood names corresponding to the neighborhood numbers below.

	Previous Assessed Value	Proposed Assessed Value	% Change
<b>Physically Inspected Neighborhoods</b>			
Neighborhood 050	\$52,322,300	\$62,778,930	20.0%
Neighborhood 055	\$120,318,800	\$158,741,200	31.9%
Neighborhood 110	\$528,358,600	\$587,583,600	11.2%
Neighborhood 115	\$214,683,400	\$252,687,300	17.7%
Neighborhood 120	\$85,000,000	\$101,621,000	19.6%
Neighborhood 125	\$112,157,900	\$139,229,300	24.1%
Neighborhood 175	\$104,278,900	\$140,589,300	34.8%
Neighborhood 265	\$305,572,000	\$332,945,900	9.0%
Neighborhood 270	\$511,406,100	\$625,929,600	22.4%
Neighborhood 275	\$57,001,400	\$69,874,000	22.6%
Neighborhood 280	\$98,957,000	\$130,073,000	31.4%
Neighborhood 440	\$4,263,000	\$5,642,000	32.3%
Neighborhood 445	\$765,000	\$908,000	18.7%
Neighborhood 450	\$55,139,900	\$61,691,000	11.9%
Neighborhood 460	\$5,588,000	\$7,216,000	29.1%
Neighborhood 465	\$20,747,000	\$25,972,000	25.2%
Neighborhood 470	\$64,718,000	\$73,665,000	13.8%
Neighborhood 475	\$8,424,000	\$9,984,000	18.5%
Portion of Nbrhd 900	\$55,907,600	\$63,435,200	13.5%
<b>Sub-total</b>	\$2,405,608,900	\$2,850,566,330	18.5%
<b>Annually Updated Neighborhoods</b>			
Neighborhood 005	\$351,351,200	\$425,155,600	21.0%
Neighborhood 010	\$509,024,900	\$622,670,600	22.3%
Neighborhood 015	\$474,867,900	\$557,340,100	17.4%
Neighborhood 020	\$102,276,050	\$150,068,600	46.7%
Neighborhood 025	\$16,013,000	\$25,196,900	57.4%
Neighborhood 030	\$51,080,800	\$80,196,200	57.0%
Neighborhood 035	\$343,761,200	\$394,396,200	14.7%
Neighborhood 040	\$119,573,600	\$137,586,500	15.1%
Neighborhood 045	\$269,235,500	\$320,504,600	19.0%
Neighborhood 060	\$193,652,400	\$216,343,100	11.7%
Neighborhood 065	\$1,317,031,400	\$1,473,963,304	11.9%
Neighborhood 070	\$26,376,800	\$31,632,000	19.9%
Neighborhood 075	\$111,786,800	\$144,285,140	29.1%
Neighborhood 080	\$170,605,400	\$198,007,540	16.1%

Neighborhood 085	\$520,984,731	\$600,645,300	15.3%
Neighborhood 090	\$563,524,000	\$659,436,990	17.0%
Neighborhood 095	\$380,085,100	\$447,936,300	17.9%
Neighborhood 100	\$232,305,200	\$270,648,400	16.5%
Neighborhood 105	\$92,684,500	\$107,981,700	16.5%
Neighborhood 130	\$174,855,700	\$214,249,500	22.5%
Neighborhood 135	\$42,177,400	\$55,454,000	31.5%
Neighborhood 140	\$92,022,500	\$107,545,000	16.9%
Neighborhood 145	\$239,062,900	\$268,614,000	12.4%
Neighborhood 150	\$138,958,500	\$156,051,900	12.3%
Neighborhood 155	\$80,730,800	\$98,213,000	21.7%
Neighborhood 160	\$7,935,800	\$10,239,000	29.0%
Neighborhood 165	\$59,465,900	\$67,647,700	13.8%
Neighborhood 170	\$216,381,840	\$283,941,000	31.2%
Neighborhood 185	\$8,103,200	\$10,083,000	24.4%
Neighborhood 190	\$16,168,000	\$20,331,000	25.7%
Neighborhood 195	\$52,412,300	\$62,936,000	20.1%
Neighborhood 200	\$44,674,000	\$51,937,300	16.3%
Neighborhood 205	\$114,766,900	\$126,090,300	9.9%
Neighborhood 215	\$6,954,200	\$41,942,300	503.1%
Neighborhood 220	\$22,608,600	\$30,297,300	34.0%
Neighborhood 225	\$199,421,800	\$256,950,400	28.8%
Neighborhood 230	\$145,326,700	\$170,831,700	17.6%
Neighborhood 235	\$85,382,300	\$115,883,200	35.7%
Neighborhood 240	\$39,463,000	\$42,505,000	7.7%
Neighborhood 245	\$287,862,600	\$361,863,700	25.7%
Neighborhood 250	\$202,079,800	\$234,825,200	16.2%
Neighborhood 255	\$153,361,000	\$189,285,500	23.4%
Neighborhood 260	\$209,358,800	\$231,275,600	10.5%
Neighborhood 285	\$261,213,600	\$322,695,800	23.5%
Neighborhood 290	\$43,839,400	\$54,027,000	23.2%
Neighborhood 295	\$44,634,000	\$52,557,000	17.8%
Neighborhood 300	\$43,067,200	\$52,337,400	21.5%
Neighborhood 305	\$160,461,000	\$180,906,000	12.7%
Neighborhood 310	\$425,714,400	\$495,148,000	16.3%
Neighborhood 315	\$190,460,600	\$206,466,400	8.4%
Neighborhood 320	\$333,381,200	\$375,764,100	12.7%
Neighborhood 325	\$57,947,800	\$76,078,800	31.3%
Neighborhood 330	\$216,625,000	\$251,338,000	16.0%
Neighborhood 335	\$121,970,000	\$137,617,000	12.8%
Neighborhood 340	\$117,256,300	\$231,813,100	97.7%
Neighborhood 345	\$142,975,300	\$174,378,400	22.0%
Neighborhood 350	\$266,645,800	\$316,299,700	18.6%
Neighborhood 355	\$66,380,500	\$81,303,000	22.5%
Neighborhood 360	\$473,940,600	\$554,894,300	17.1%
Neighborhood 365	\$531,687,600	\$587,463,400	10.5%
Neighborhood 370	\$425,290,900	\$486,328,400	14.4%
Neighborhood 375	\$392,548,000	\$417,672,000	6.4%
Neighborhood 380	\$288,925,500	\$334,736,000	15.9%
Neighborhood 385	\$91,360,600	\$104,479,000	14.4%
Neighborhood 390	\$140,397,000	\$153,504,400	9.3%

Neighborhood 395	\$23,465,000	\$25,031,000	6.7%
Neighborhood 400	\$112,090,900	\$128,792,000	14.9%
Neighborhood 410	\$96,505,300	\$105,890,300	9.7%
Neighborhood 415	\$37,523,000	\$45,460,700	21.2%
Neighborhood 420	\$36,923,000	\$42,011,000	13.8%
Neighborhood 425	\$113,788,000	\$126,655,000	11.3%
Neighborhood 430	\$545,193,300	\$759,229,800	39.3%
Neighborhood 455	\$124,457,000	\$144,476,000	16.1%
Portion of Nbrhd 900	\$274,977,900	\$331,176,900	20.4%
<b>Sub-total</b>	\$14,687,400,721	\$17,429,517,574	18.7%
<b>Grand Total</b>	\$17,093,009,621	\$20,280,083,904	18.6%

Neighborhood 215 shows an increase of over 500%. The reason for that is the redevelopment of the High Point housing project. This is a large governmentally-exempt property. It has been segregated into many smaller parcels. These new parcels had a token land value of \$1,000 placed on them while the parcels were being transferred to the commercial section of the Assessor's office. For the 2006 assessment they were valued at a market value which resulted in huge increases.

## Overview of the King County Apartment Market

King County consists of 2,134 square miles, about the size of Delaware. Of that area 379 square miles are in 39 incorporated cities, more than any other county in the state. The Urban Growth Area is 460 square miles in area. Most of that would be the western portion of the county lying west of a north-south line passing through Lake Sammamish. Only 81 square miles of the Urban Growth Area are in unincorporated areas. Almost all the apartments in the county fall within the Urban Growth Area. The population of King County was estimated at 1,808,300 in 2005. It is the fourteenth most populous county in the United States. The population increased 19% during the 1980's; 15% during the 1990's; and 4% from 2000 through 2005.

Although King County comprises 3% of the state's land area it contains close to 30% of the population and over 40% of the jobs. There were an estimated 743,000 households in the county in 2005. The average household size is 2.43 persons. Median household income in 2004 was reported by the 2005 *King County Annual Growth Report* to be \$61,300.

Employment in the county was at 951,600 out of a labor force of 998,200 in 2005. Unemployment was at 4.7% in 2005 which is the lowest it has been in four years. Until 1999 the employment picture had steadily improved since 1993 when unemployment was at 6.3%. From 2000 through 2003 it increased and then began coming down in 2004. The sectors with the highest wages are manufacturing, wholesale trade, financial, and information.

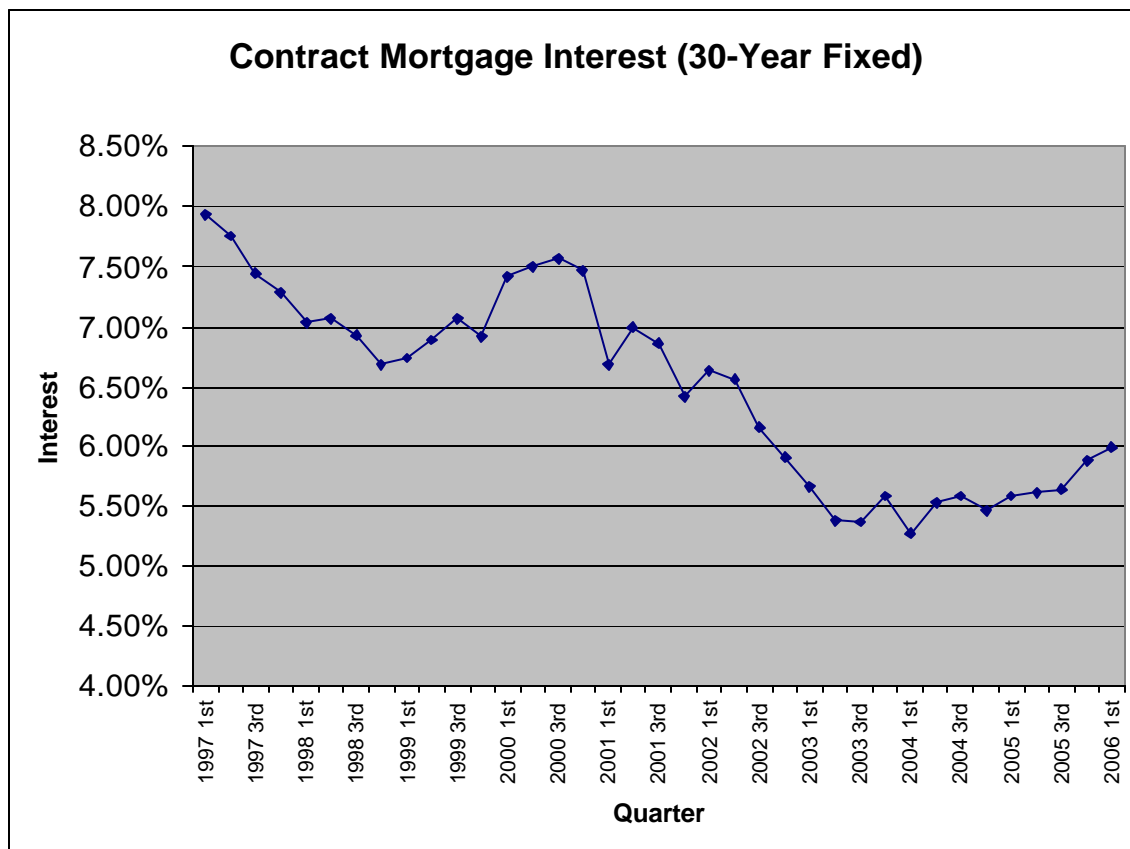
Residential properties with at least 4 units are assigned to the apartment specialty. Also included are associated land parcels, some 1 through 3-unit buildings that are associated with apartments, condominium complexes that are rental properties, and mixed use buildings where no more than 25% of the total net area is devoted to commercial use. There are a total of 11,712 account numbers assigned to the apartment specialty. Of these, 384 are land parcels associated with apartment properties. Another 2,210 are account numbers for individual



condominium units associated with the 202 condominium complexes that are included in the apartment specialty. Subtracting the land parcels and individual condo units results in 9,118 apartment properties in King County. These numbers represent a small decrease in the number of properties in the apartment specialty. This is due to the number of apartments that have converted to condominiums, and new construction has not kept pace. The 9,118 improved apartment properties contain a total of 204,373 units. Of the improved properties in the apartment specialty 2% have fewer than 4 units; 27% are fourplexes; 27% are five to nine units; 18% are 10 to 19 units; 15% are 20 to 49 units; 6% are 50 to 99 units; 3% are 100 to 199 units, and the remaining 2% are 200 units and up. The largest apartment property in the county is the 774-unit Archstone Redmond Hill. Of the apartments in existence today 17% were built before 1930, the vast majority of these are in Seattle. During the Depression and World War II very little construction was done. As a result only 2% of the apartments in King County today were built in the years 1930 through 1945 and 27% of those were built in 1930 alone. It wasn't until the 1960's that apartment construction outside of Seattle began in earnest. Today a little over a third of the apartment properties in the county are outside of Seattle.

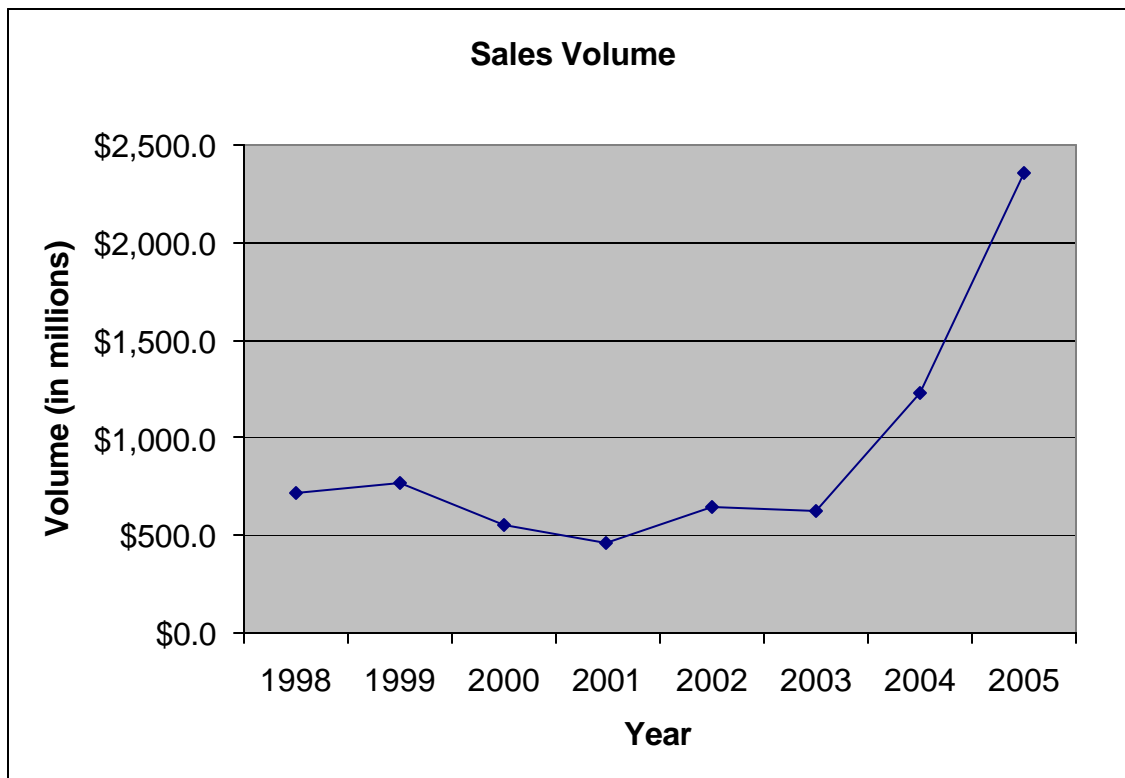
During 2004, building permits were issued to construct 4,711 multi-family units in King County (includes duplexes and triplexes). This is an increase of 34% from 2003. During the early 1990's the number of units for which permits were taken out remained under 4,500 per year. During the latter part of the 1990's they exceeded 6000 per year before dropping off after 2000. The permits for multi-family units in 2004 represented 40% of the total residential permits issued. As of August 15<sup>th</sup>, 2005, apartment new construction money of \$310,760,010 has been added to the 2006 assessment roll for taxes payable in 2007. New construction money accounts for 9.75% of the total increase in apartment assessed value for the year. Backing it out of the total would lower the total increase in assessed value from 18.6% to 16.8%.

Local mortgage interest rates for 30 year fixed rate mortgages were at the 7% level during 1998. By the 2<sup>nd</sup> quarter of 1999 they were on the rise, peaking in mid 2000 at about 7.5%. By the end of 2002 they had dropped to below 6% where they remained until recently. They are now slightly over 6%. The lowest rates occurred at the beginning of 2004 when the average was 5.27%. According to HSH Associates the current rate (August, 2006) for the Seattle market is 6.61% with .50 points. This mirrors the national average. Below is a chart showing the contract mortgage interest rates in this region for the last nine years.



Data Source: *Central Puget Sound Real Estate Research Report* (Spring, 2006)

1997 and 1998 were record-breaking years in the apartment market. In 1999 the sales volume began declining and continued to do so until 2002. Definite increases began in 2003 and continue to the present. Sales volume is currently higher than ever. It increased from the low point in 2001 at less than a half billion to well over two billion in 2005. Below is a graph of King County apartment sales volumes for the past eight years.

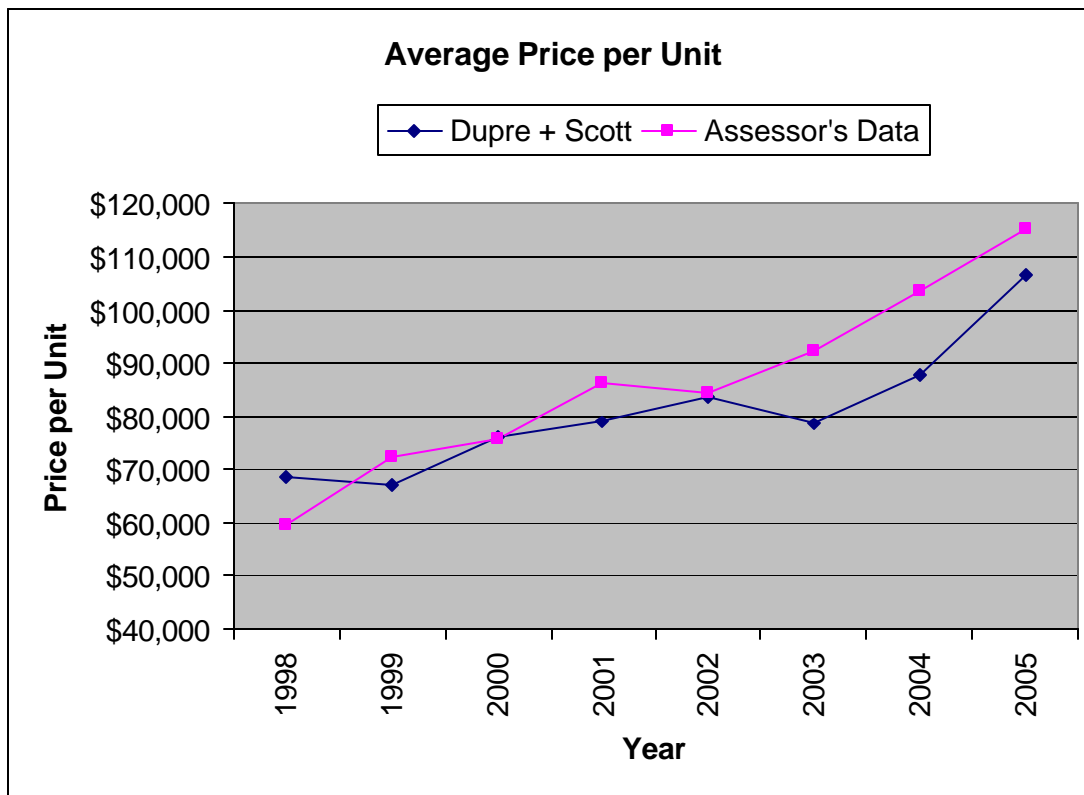


Source: King County Department of Assessments sales data.

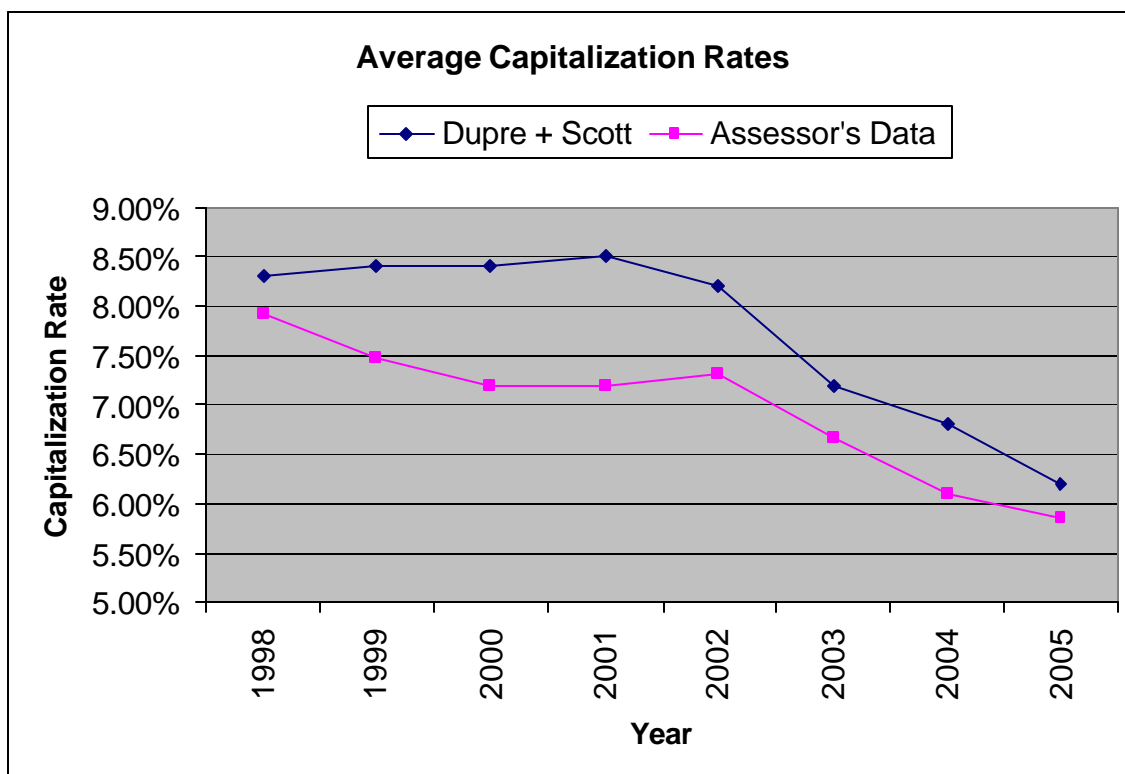
*The Dupre + Scott Apartment Investment Report* indicates an average price per unit for 2005 of \$106,376 in King County. An analysis of the Assessor's sales data shows the average price paid per unit in King County was \$114,969 in 2005. The large difference in the Assessor's figures and some of the published figures is the fact that the Assessor includes properties down to 4-units and also mixed use properties. Most publications address larger properties only. Of the 678 sales in the Assessor's database for 2005, 379 had sale prices of at least \$100,000 per unit, 36 were at least \$200,000, and three were over \$300,000.

Nationally, *Korpacz Real Estate Investor Survey* (1st Qtr, 2006) noted overall rates averaging 6.06%. In King County, *The Dupre + Scott Apartment Investment Report* shows an average capitalization rate based on anticipated income of 6.20% for 2005. The Assessor's data indicates an average overall rate of 5.85% for the same year. Some apartment properties are selling at 4.5% and 5% capitalization rates on actual income. Marc Stiles in *The Seattle Daily Journal of Commerce* (March 24, 2005) suggests that rates between 3% and 4% are a more accurate reflection of what's going on in the Seattle apartment market. CB Richard Ellis' *Market View Puget Sound Multi-Housing* (1<sup>st</sup> half, 2006) states, "Cap rates are at the lowest in recent memory, averaging 5.27% in the first half of 2006, down from 5.7% in the second half of 2005 and average price per unit is over \$100,000.

Below are graphs showing the average price per unit and average capitalization rate by year. Each graph has two lines, one representing data from *The Dupre + Scott Apartment Vacancy Report* and the other representing the Assessor's rent database.

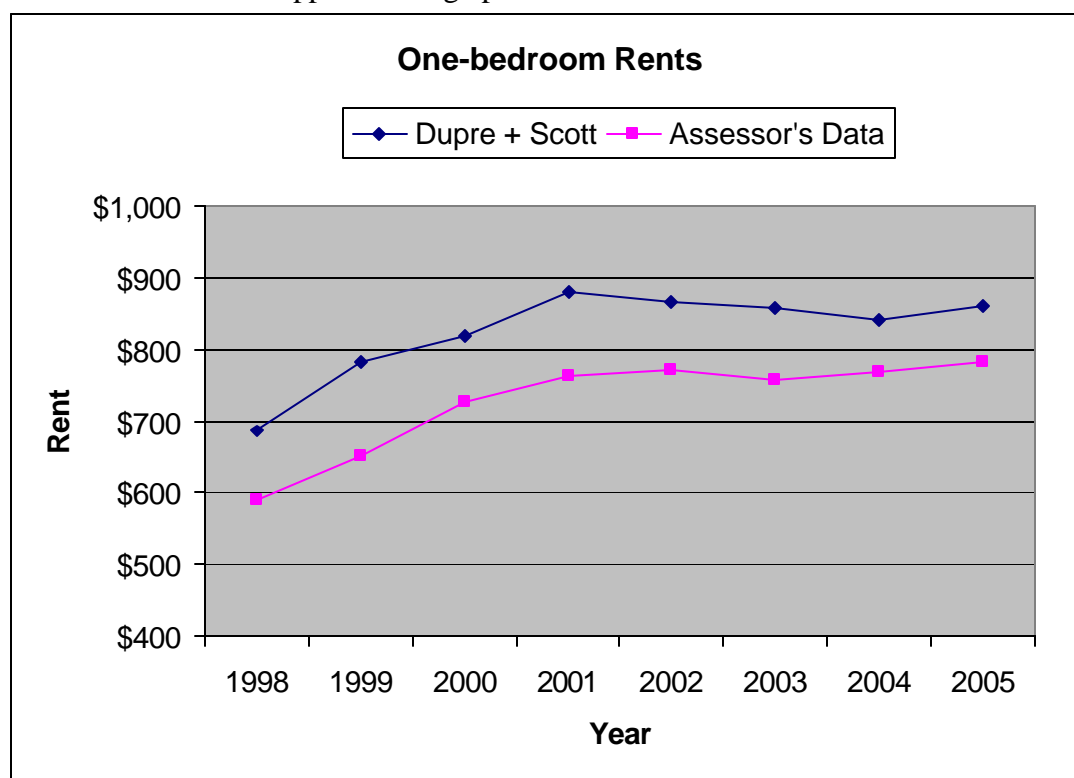


Source: *The Dupre + Scott Apartment Investment Report* and the King County Department of Assessments database.



Source: *The Dupre + Scott Apartment Investment Report* and the King County Department of Assessments database.

According to the Assessor's rent database the average rent for one-bedroom apartments in King County in 2005 was \$783 (a 1.7% increase over the prior year). The second half, 2005 issue of *CBRE MarketView Puget Sound Multi-Housing* reported average rents increased 2% in the tri-county region in a six-month period. The first half, 2006 issue indicated the same increase continued in the following six months. During the recession owners were offering concessions, but these are going away now. At one time (2003) 73% of owners were offering concessions. By the spring of 2006 that had dropped to 25%. The average rents for one-bedroom units appear in the graph below.



Source: *The Dupre + Scott Apartment Investment Report* and the King County Department of Assessments database.

Vacancy in King County (according to the April, 2006 *Dupre + Scott Apartment Vacancy Report*) ranges from 2.3% in Ballard to 12.8% in Mercer Island. Vacancy rates were high during 2002 through 2004 but have turned around and are now back to a more normal 5% and lower in many neighborhoods.

According to the *King County Annual Growth Report* the median household income for renters in 2004 was \$41,126. At that income a two-bedroom unit renting for \$1,028 would be affordable (30% of income). According to the Assessor's rent data the average 2-bedroom, 1 bath unit rents for \$870. A low-income renter (defined as a household at 50% of median renter income) could afford rent of \$514, far below the average 2-bedroom rent. In fact, in most areas of the county a studio would be hard to come by at that rent. Low-income households generally pay a disproportionate share of their income for housing or are living in

low-income housing. Besides the public housing authorities there are an increasing number of privately owned low-income housing units coming onto the market.

In summary, although many of the apartment market indicators, such as rent and vacancy were weak during 2001 through 2003, the apartment market essentially remained healthy as evidenced by the sales activity. This resulted in lower capitalization rates. The weak indicators (rents and vacancy) are now becoming much stronger.

Below is a table showing averages for selected areas of the county. The neighborhoods included in each area are as follows:

Seattle	005 – 085; 225 – 235
North Seattle	090 – 155; 410 – 420
South Seattle	160 – 220
SW County	240 – 280
SE County	285 – 330
Bellevue	335 – 365
Kirkland/Redmond	370 – 380; 430
Bothell/Woodinville	385 – 400; 425

	Seattle	North Seattle	South Seattle	SW County	SE County	Bellevue	Kirkland/Redmond	Both/Wdnvll
Aver. Yr. Built	1948	1964	1966	1976	1974	1975	1978	1979
Aver. # of Units	19	15	16	30	28	51	49	33
Aver. Unit Size	728	749	765	831	838	934	888	881
Aver. \$/unit (Sales)	\$142,085	\$118,436	\$90,241	\$85,170	\$91,601	\$129,186	\$151,870	\$103,742
Aver. OAR	5.18%	5.48%	6.90%	7.22%	6.49%	5.83%	6.39%	5.44%
Aver GIM	12.25	11.92	8.51	8.03	9.17	11.34	10.55	11.56
Aver. Rent (Studio)	\$757	\$652	\$480	\$518	\$626	\$856	\$715	
Aver. Rent (1bd1ba)	\$630	\$752	\$630	\$625	\$692	\$883	\$934	\$751
Aver. Rent (2bd1ba)	\$818	\$865	\$818	\$707	\$778	\$978	\$996	\$873
Aver. Rent (2bd2ba)	\$962	\$1135	\$962	\$829	\$872	\$1183	\$1218	\$956
Aver. Rent (3bed)	\$2134	\$1260	\$1100	\$969	\$1024	\$1358	\$1416	\$1169

Source: Assessor's data.

The table points out how variable the value indicators are in different parts of the county. The highest prices per unit, highest rents, and lowest overall rates tend to be in Seattle, Bellevue, and Kirkland/Redmond. The lowest prices per unit, lowest rents, and highest overall rates are in the south county area.

## **General Description of Methodology**

During 1997 the Assessor introduced the Assessor's Real Property data system. In that system apartments are assigned the area number 100. Following that is a three-digit number that indicates the neighborhood in which the property is located. There are 92 apartment neighborhoods in the County. Apartments in certain low-income programs are assigned to neighborhood 900 regardless of their physical location. Neighborhood maps are contained in addendum "Area Maps". Addendum "Area Maps" also contains a list of the neighborhood names and numbers.

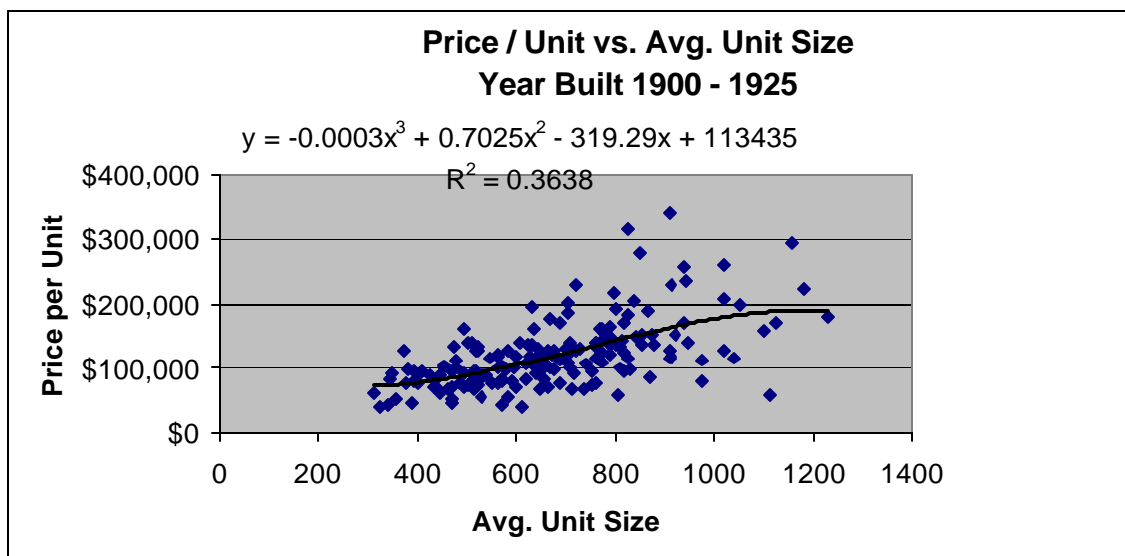
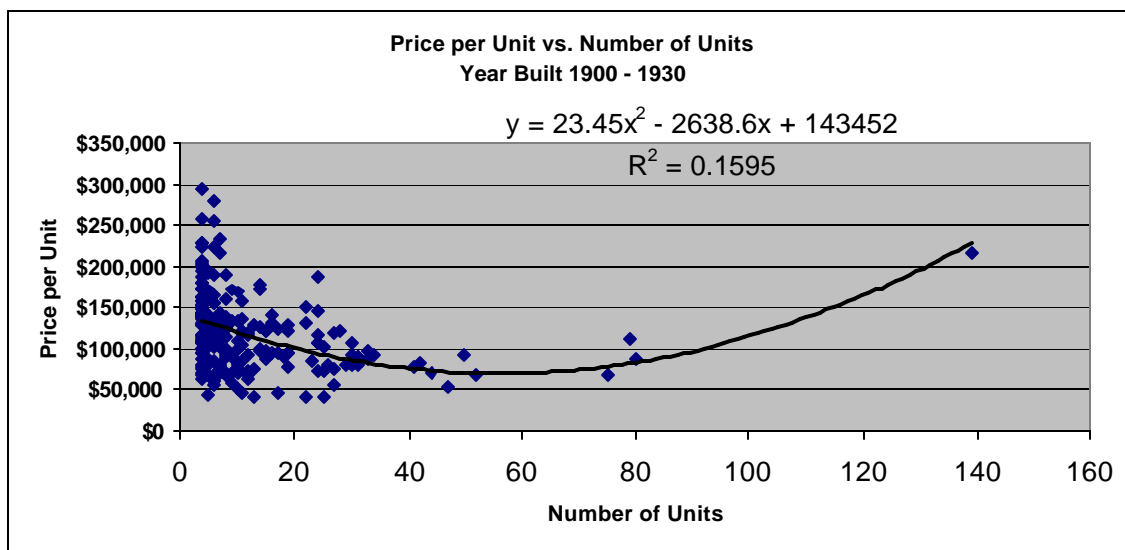
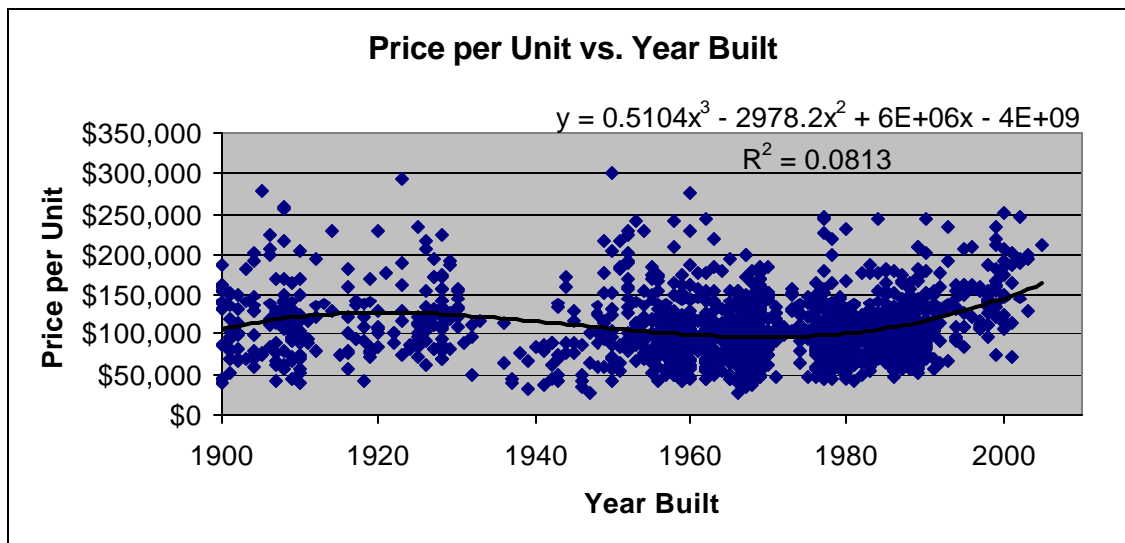
All property must be physically inspected at least once every six years. The current assessment year of 2006 is the sixth year of six-year cycle. An apartment valuation model is created for the entire County. The model is used to value the apartment properties in the physically inspected areas and in addition, it is used to update the values of the properties that are not being inspected. The cost, sales comparison, and income approaches are all incorporated in the model. These are discussed separately. The geographic area appraisers set land values.

### **COST APPROACH**

Software developed by Marshall Valuation Service is installed on the Assessor's Real Property system. Replacement cost new, less depreciation is computed for all improved properties in the Real Property system. This value is made a part of the apartment valuation model.

### **SALES COMPARISON APPROACH**

The sales comparison approach or market approach is one of the indications of value applied to the properties in the apartment valuation model. Sale spreadsheets are found in addendum "Area Sales". In the apartment valuation model the appraiser can select individual comparable sales as an indicator of value. An automated selection of sales is also available in the model. The macro that is used to select sales uses the Minkowski distance metric and considers neighborhood, number of units, commercial area, year built, and average unit size. If individual comparable sales are selected they are placed in a sales grid for comparison with the subject. The comparable sales are adjusted for age, number of units, unit size, quality, condition, view, pool, commercial area, and location. The graphs below illustrate the relationship that some of these attributes have with price per unit.





The graphs show a general relationship. The equations shown are not the actual basis for the adjustments used in the model, but merely illustrate the general relationship. The actual adjustments are a result of analyzing paired sales, the coefficients used in the multiple regression equation described below, and to a lesser degree the averages of the various characteristics in relation to one another. The results from the above techniques are tempered by the history of the adjustments used in prior years. In addition, the appraiser may exercise judgement in the application of adjustments in order to reflect market reaction to differences in characteristics. Some of the adjustments do not follow a consistent pattern. For example, the adjustments for age do not assume that newer apartments are always more valuable than older ones. Apartments built in the 1920's are considered to be more valuable than apartments built in the 1950's. The adjustments for number of units assume that as the number of units increases, the price per unit decreases. However, in larger complexes that does not hold true. Price per unit tends to be higher than in the smaller complexes. A general description of the adjustments follows:

- Age: For apartments newer than 1945 the adjustment is 0.3% per year of difference. If either the comparable sale or subject is older than 1946, then there is an adjustment of 4% in the opposite direction to account for the fact that properties of that era tend to be high-value properties.
- Number of Units: Generally, the adjustment is 0.3% per unit; however, for smaller complexes the adjustment is greater (e.g., adjusting from a 5-unit to a 4-unit would be a +4.0% adjustment). If either of the properties is greater than 100 units, then there is an adjustment of 5% in the opposite direction to account for the higher value of the large complexes.
- Unit Size: 0.07% per square foot of difference.
- Quality: There are seven quality codes. The adjustment ranges from 4% to 15% depending on how different the quality ratings are (e.g., average to average-good would be +4.0%; low-cost to excellent would be 15%).
- Condition: There are five quality codes. The adjustment ranges from 4% to 10% depending on how different the condition ratings are.
- View: The percentage of units with view is the basis for the adjustments. The adjustment is 0.10% for each percentage difference.
- Pool: 3% adjustment.
- Commercial Area: The basis for the adjustment is the percentage of the total net area that is commercial. The adjustment is 0.3% for each percentage difference.
- Location: The basis for comparison is the ratio between the neighborhood ranks. The neighborhood ranks are the ratios of value indicators (e.g., average rents and sale prices) of individual neighborhoods to the countywide average.

A multiple regression analysis is performed on the sales in the county and is used as an indicator of value. The resulting equation is used to compute an indicated value for each apartment property. The dependent variable and continuous independent variables are converted to logarithms. The coefficients are listed in the table below.

	Variable Type	Coefficient	t-statistic
Dependent Variable			

Natural Log of \$ per unit	Continuous		
<b>Independent Variables</b>			
Intercept		7.962646	52.47
Natural Log of Average Unit Size	Continuous	0.5351371	23.48
Natural Log of Commercial Area	Continuous	0.01788636	4.14
Natural Log of Percent View	Continuous	0.01093003	2.61
Quality, Below Average	Categorical	-0.06015738	-3.34
Quality, Above Average	Categorical	0.01792247	1.27
Condition, Below Average	Categorical	-0.03404387	-1.45
Condition, Above Average	Categorical	0.02613439	2.03
Yr Built, older than 1926	Categorical	0.02877094	1.50
Yr Built, 1926 - 1945	Categorical	0.03981194	1.67
Yr Built 1975 - 1984	Categorical	0.0319234	2.26
Yr Built 1985 - 1993	Categorical	0.1127896	6.88
Yr Built 1994 and newer	Categorical	0.2419889	8.82
Units, 4	Categorical	0.1937524	13.89
Units, 10 - 19	Categorical	-0.09213004	-5.86
Units, 20 - 99	Categorical	-0.2134826	-11.83
Units, 100 plus	Categorical	-0.128471	-5.09
Good View	Categorical	0.1029191	3.38
Excell View	Categorical	0.5134317	7.02
Elevator	Binary	0.09072324	3.44
Nbrhood 005, 010, 020, 025, 030	Categorical	0.2035962	3.19
Nbrhood 015	Categorical	0.2326837	6.25
Nbrhood 040, 070	Categorical	0.4376875	5.49
Nbrhood 045	Categorical	0.3113638	8.37
Nbrhood 050, 055	Categorical	0.1169954	2.45
Nbrhood 060	Categorical	0.2752703	7.02
Nbrhood 065	Categorical	0.305055	13.19
Nbrhood 075	Categorical	0.0805853	1.41
Nbrhood 085	Categorical	0.1841217	3.76
Nbrhood 095	Categorical	-0.1067454	-3.10
Nbrhood 100	Categorical	-0.08268577	-1.59
Nbrhood 105, 145	Categorical	0.07747421	2.85
Nbrhood 115	Categorical	0.1792872	4.60
Nbrhood 125	Categorical	0.1400778	2.36
Nbrhood 130, 135	Categorical	0.1382141	3.44
Nbrhood 140	Categorical	0.1508076	3.02
Nbrhood 150	Categorical	0.1729313	3.26
Nbrhood 155	Categorical	0.2240425	3.60
Nbrhood 160, 165, 325	Categorical	-0.2761064	-3.99
Nbrhood 170	Categorical	-0.3726088	-9.96
Nbrhood 185, 190	Categorical	-0.288172	-5.58
Nbrhood 195	Categorical	-0.33731	-4.86
Nbrhood 200	Categorical	-0.3629659	-6.52
Nbrhood 205	Categorical	-0.3025702	-5.74
Nbrhood 215, 220	Categorical	-0.1858803	-3.56
Nbrhood 225, 230, 235	Categorical	0.07346326	2.32
Nbrhood 240	Categorical	-0.3693124	-7.16
Nbrhood 245	Categorical	-0.3677184	-12.98

Nbrhood 250	Categorical	-0.3775571	-10.97
Nbrhood 255	Categorical	-0.3362423	-6.31
Nbrhood 260	Categorical	-0.3660043	-13.01
Nbrhood 265	Categorical	-0.3690103	-6.10
Nbrhood 270, 275, 280	Categorical	-0.4578544	-17.30
Nbrhood 285, 290	Categorical	-0.446152	-19.00
Nbrhood 295	Categorical	-0.4824575	-10.54
Nbrhood 300	Categorical	-0.5247218	-10.43
Nbrhood 305	Categorical	-0.3547781	-7.92
Nbrhood 310	Categorical	-0.3934545	-9.67
Nbrhood 315	Categorical	-0.3462471	-8.28
Nbrhood 320	Categorical	-0.2599667	-5.15
Nbrhood 330	Categorical	-0.2679353	-5.70
Nbrhood 340, 345, 355	Categorical	0.1380631	2.32
Nbrhood 360	Categorical	0.1777101	3.11
Nbrhood 370	Categorical	0.1730597	4.60
Nbrhood 375, 380, 430	Categorical	0.07860158	2.43
Nbrhood 385, 425	Categorical	-0.2000604	-3.49
Nbrhood 400	Categorical	-0.2596079	-5.37
Nbrhood 410	Categorical	-0.2776793	-5.47
Nbrhood 415	Categorical	-0.1752356	-2.52
Nbrhood 440, 445, 450, 460, 465, 470, 475	Categorical	-0.2515986	-5.18

Sample size = 1614

Adjusted R-Squared = .74

The number in the variables starting with Nbrhood refers to the neighborhood number. See addendum “Area Maps” for neighborhood boundaries. A list of the neighborhood numbers and the corresponding neighborhood names appears near the beginning of the Analysis Process section of this report.

Natural log of Percent View is the natural logarithm of the percentage of units with view. This is an estimate of the percentage of units in the apartment complex that have a view significant enough to affect value. It is expressed as a whole number.

Natural log of Comml. Area is the natural logarithm of the square footage of commercial space in a mixed-use building.

Quality refers to the quality of construction and is independent of condition.

Condition is a measure of the level of maintenance of a building.

Continuous variables that can take a value of zero (e.g., commercial area) are transformed by adding one to the value. This is because zero is undefined as a natural logarithm.

The characteristics of the sale properties closely mirrored the characteristics of the total population of apartments in the county. The comparison is presented in the table below:

	Avg. Year Built	Avg. Numb. Units	Avg. Unit Size
All Apartments in County	1963	23	780
Sold Apartments	1963	23	779

## INCOME APPROACH

The income approach is an estimate of market value based on the quality and quantity of income a property is expected to generate. A capitalization rate is used to convert the net operating income into a value. The indicated values obtained by the income approach were compared with sale prices of sale properties. If the indicated values of a particular category of apartment or neighborhood deviated significantly from the sale prices, the income model is recalibrated. This is done by applying an adjustment factor to the rents.

### Rents

The potential gross income for each property is determined primarily from the rent information found in the addendum labeled “Rent Comps”. Published reports were also considered. The rents used in the model were determined primarily by multiple regression analysis. The coefficients from the multiple regression equation are in the table below. The dependent variable and continuous independent variables are converted to logarithms.

	Variable Type	Coefficient	t-statistic
<b>Dependent Variable</b>			
Natural Log of Rent	Continuous		
<b>Independent Variables</b>			
Intercept		3.265519	23.37
Actual or Listed	Binary	0.0457864	5.43
Nat Log Unit Size	Continuous	0.498926	23.51
Above Avg Quality	Categorical	0.03799452	5.15
Below Avg Condition	Categorical	-0.04908965	-2.47
Above Avg Condition	Categorical	0.01456277	1.79
Studio	Categorical	-0.0370961	-2.77
2Bed1bath	Categorical	0.02734212	2.80
2Bed2bath	Categorical	0.07368352	6.32
3Bed1bath	Categorical	0.1328037	5.78
3Bed2bath	Categorical	0.1645909	10.16
3bd3ba, plus	Categorical	0.2110179	7.95
Yr Built 1946 - 1950	Categorical	0.1081016	4.00
Yr Built 1951 - 1964	Categorical	-0.008506675	-0.60
Yr Built 1975 - 1984	Categorical	0.04441352	3.99
Yr Built 1985 - 1993	Categorical	0.1006119	9.92
Yr Built 1994 plus	Categorical	0.2350172	19.17
Nbrhood 005, 020, 025, 030	Categorical	0.2188055	8.14
Nbrhood 010	Categorical	0.3911037	14.60
Nbrhood 015	Categorical	0.2226864	5.38
Nbrhood 035	Categorical	0.07365067	2.87
Nbrhood 040, 070	Categorical	0.2761653	9.57
Nbrhood 045, 050, 055	Categorical	0.1823469	6.54
Nbrhood 060	Categorical	0.1551102	4.26

Nbrhood 065, 085	Categorical	0.1501392	7.27
Nbrhood 090	Categorical	-0.07745585	-3.28
Nbrhood 095	Categorical	-0.1275861	-5.04
Nbrhood 100	Categorical	-0.04312362	-1.43
Nbrhood 110	Categorical	0.2353007	7.88
Nbrhood 115	Categorical	0.1428694	6.94
Nbrhood 120	Categorical	0.1369704	5.85
Nbrhood 125	Categorical	0.1162413	4.43
Nbrhood 130	Categorical	0.07502701	2.34
Nbrhood 150, 155	Categorical	0.09652207	2.56
Nbrhood 160, 165, 170	Categorical	-0.04407228	-1.26
Nbrhood 175	Categorical	-0.02355025	-0.57
Nbrhood 185, 190, 200	Categorical	-0.03651309	-1.07
Nbrhood 195, 205, 215	Categorical	-0.1002501	-2.64
Nbrhood 220	Categorical	-0.1132447	-2.72
Nbrhood 230	Categorical	0.1789426	3.55
Nbrhood 240	Categorical	-0.1538145	-4.04
Nbrhood 245	Categorical	-0.2404976	-7.76
Nbrhood 250	Categorical	-0.2306207	-5.28
Nbrhood 255	Categorical	-0.1968202	-5.24
Nbrhood 260	Categorical	-0.2291126	-9.45
Nbrhood 265	Categorical	-0.1727868	-9.63
Nbrhood 270, 275	Categorical	-0.1968151	-12.79
Nbrhood 280	Categorical	-0.250476	-12.12
Nbrhood 285, 290	Categorical	-0.1928719	-6.48
Nbrhood 295	Categorical	-0.2628962	-8.19
Nbrhood 300	Categorical	-0.2435771	-9.51
Nbrhood 305	Categorical	-0.2076944	-7.79
Nbrhood 310	Categorical	-0.229426	-11.51
Nbrhood 315	Categorical	-0.1495454	-3.92
Nbrhood 320	Categorical	-0.1815676	-8.56
Nbrhood 325	Categorical	-0.09065794	-2.76
Nbrhood 330	Categorical	-0.1301069	-4.44
Nbrhood 335	Categorical	-0.1004428	-3.11
Nbrhood 340, 345, 355	Categorical	0.111754	4.66
Nbrhood 350	Categorical	-0.04987877	-2.25
Nbrhood 360	Categorical	0.1446529	5.97
Nbrhood 370	Categorical	0.1185709	4.15
Nbrhood 375, 430	Categorical	0.07440771	4.29
Nbrhood 380	Categorical	0.04984229	1.96
Nbrhood 385, 425	Categorical	-0.1261099	-4.00
Nbrhood 390, 395	Categorical	-0.08191259	-3.20
Nbrhood 400	Categorical	-0.1590458	-4.39
Nbrhood 410, 415	Categorical	-0.07208402	-1.74
Nbrhood 420	Categorical	-0.08659174	-1.96
Nbrhood 440, 460	Categorical	-0.03951223	-0.90
Nbrhood 445, 450, 465, 470, 475	Categorical	-0.1595097	-6.51
Nbrhood 455	Categorical	-0.09705891	-3.32

Sample Size = 1724

Adjusted R-Squared = .85

The variables beginning with Nbrhood are neighborhood variables. The number refers to the neighborhood number. See addendum “Area Maps” for neighborhood boundaries. A list of the neighborhood numbers and the corresponding neighborhood names appears near the beginning of the Analysis Process section of this report.

The binary variable, Actual or Listed, refers to whether a rent is actual rent or asking rent. An asking rent or listed rent is coded with a 1.

Natural log of Unit Size is the natural logarithm of the individual unit size which refers to the size of the individual unit types. It is often an approximation and is not the same as average unit size, which is net area of the building divided by number of units.

Quality refers to the quality of construction and is independent of condition.

Condition is a measure of the level of maintenance of a building.

Parking income is assigned for covered, secured parking ranging from \$30 to \$95 per space per month. Rates used for covered, unsecured parking ranged from \$20 to \$75 per space per month. In some Seattle neighborhoods open parking is assigned rates ranging from \$15 to \$65 per space per month. Elsewhere open parking is not assigned parking income.

Other or miscellaneous income is also added. It is an estimate of typical amounts received for such things as laundry, vending machines, forfeited deposits, NFS charges on returned checks, and late fees.

For mixed-use properties typical commercial rents, vacancy, and overall rates were determined by accessing the income tables used by the geographic area appraisers. Commercial rents used in the apartment income model ranged between \$3.50 (for warehouse space) and \$62.70 per square foot per year, triple net.

A few apartment properties have moorage. Moorage rates used in the model ranged from \$8.00 to \$10.00 per linear foot per month.

## Vacancy

The *Dupre + Scott Apartment Vacancy Report* is the primary source of vacancy information. *CBRE Market Index* is also used. Components for credit loss and rent incentives are also included in the vacancy factors used in the model. Vacancy rates range between 4% and 13%. Below are the vacancy rates used in each neighborhood. The current vacancy rates in many individual neighborhoods may differ from the rates shown. An appraisal attempts to mirror the activities of participants in the real estate market. Investors take a stabilized view; therefore, the results of their negotiations tend to indicate gradual changes rather than reflecting dramatic but temporary changes in vacancy or other parameters. For mixed-use properties and properties with moorage a blended vacancy and credit loss figure is used.

Nbrhood Number	Nbrhood Name	Vacancy & Credit Loss		Nbrhood Number	Nbrhood Name	Vacancy & Credit Loss
5	Downtown	10%		240	Des Moines	12%
10	Regrade	10%		245	Burien	10%
15	Lower Queen Anne	7%		250	Boulevard Park	10%

20	South Lake Union	10%		255	Sea Tac	11%
25	Pioneer Square	10%		260	Midway	12%
30	International	10%		265	Valley	11%
35	Central District	10%		270	Federal Way	11%
40	Madison Park	4%		275	Federal Way East	11%
45	Queen Anne	7%		280	Federal Way West	11%
50	North Queen Anne	7%		285	Auburn	10%
55	Westlake	7%		290	Lea Hill	10%
60	Eastlake	7%		295	Algona	10%
65	Capitol Hill	7%		300	Enumclaw	8%
70	Montlake	7%		305	Kent	11%
75	Magnolia	9%		310	East Hill	11%
80	Interbay	9%		315	Renton	11%
85	First Hill	10%		320	Benson	11%
90	Aurora	9%		325	Tukwila	10%
95	Lake City	9%		330	Renton Highlands	11%
100	Northgate	9%		335	Newcastle	10%
105	Crown Hill	5%		340	Mercer Island	10%
110	University	8%		345	Eastgate	10%
115	Wallingford	8%		350	Issaquah	13%
120	Ravenna	8%		355	Kennydale	10%
125	Wedgewood	8%		360	Bellevue West	10%
130	Fremont	8%		365	Bellevue East	10%
135	Leary	8%		370	Kirkland	11%
140	East Ballard	5%		375	Overlake	10%
145	West Ballard	5%		380	Juanita	10%
150	Greenlake	8%		385	Bothell	9%
155	Phinney	8%		390	Inglewood	10%
160	Seward Park	7%		395	Kingsgate	10%
165	Skyway	10%		400	Kenmore	9%
170	Rainier Valley	7%		410	Ballinger	9%
175	Beacon Hill	10%		415	North City	9%
180	Industrial	10%		420	Richmond	9%
185	Georgetown	10%		425	Woodinville	10%
190	South Park	10%		430	Redmond	10%
195	White Center	10%		440	Carnation	9%
200	Highland Park	10%		445	Fall City	9%
205	Westwood	10%		450	North Bend	9%
215	High Point	10%		455	Samammish	13%
220	Delridge	10%		460	Duvall	9%
225	Junction	10%		465	Snoqualmie	9%
230	Alki	10%		470	Outlying	9%
235	Admiral	10%		475	Vashon	9%

## Expenses

The *Dupre + Scott Apartment Expense Report* is the primary source of expense information. Another source is information from appeals. The expenses used in the model are shown below. Reserves for replacement are included. Real estate taxes are not included in the table values; however, they are included as an expense in the model. In the model the real estate taxes are added to the base rates below. The amount added for real estate taxes includes typical amounts for surface water management fees in taxing districts where that applies.

Triple net expenses of 10% were used for the commercial spaces in mixed-use buildings.

Moorage income is expensed at 25% of effective gross income.

### Expenses per Unit (excl. taxes)

Year Built	Units	Central	South	East
< 1951	4 - Plex	\$3,170	\$3,170	\$3,480
	5 - 9	\$3,250	\$3,220	\$3,490
	10 - 19	\$3,380	\$3,370	\$3,640
	20 - 99	\$3,390	\$3,390	\$3,640
	100+	\$3,570	\$3,560	\$3,840
1951 - 1964	4 - Plex	\$3,000	\$3,010	\$3,260
	5 - 9	\$3,040	\$3,020	\$3,270
	10 - 19	\$3,160	\$3,140	\$3,390
	20 - 99	\$3,200	\$3,160	\$3,410
	100+	\$3,350	\$3,330	\$3,560
1965 - 1974	4 - Plex	\$3,090	\$3,090	\$3,370
	5 - 9	\$3,110	\$3,090	\$3,370
	10 - 19	\$3,220	\$3,230	\$3,510
	20 - 99	\$3,240	\$3,240	\$3,510
	100+	\$3,410	\$3,410	\$3,700
1975 - 1984	4 - Plex	\$3,090	\$3,090	\$3,360
	5 - 9	\$3,110	\$3,090	\$3,360
	10 - 19	\$3,220	\$3,220	\$3,460



	<b>20 - 99</b>	\$3,240	\$3,240	\$3,470
	<b>100+</b>	\$3,410	\$3,410	\$3,680
<b>1985 - 1993</b>	<b>4 - Plex</b>	\$3,090	\$3,090	\$3,340
	<b>5 - 9</b>	\$3,110	\$3,090	\$3,340
	<b>10 - 19</b>	\$3,220	\$3,210	\$3,490
	<b>20 - 99</b>	\$3,240	\$3,240	\$3,530
	<b>100+</b>	\$3,410	\$3,400	\$3,700
<b>1994 +</b>	<b>4 - Plex</b>	\$3,220	\$3,230	\$3,420
	<b>5 - 9</b>	\$3,250	\$3,230	\$3,420
	<b>10 - 19</b>	\$3,430	\$3,410	\$3,620
	<b>20 - 99</b>	\$3,600	\$3,480	\$3,670
	<b>100+</b>	\$3,700	\$3,650	\$3,840

The central region is the area from downtown Seattle (includes West Seattle) north to the county line. The south region is everything south of the central region to the south county line. The east region is the area east of Lake Washington and north of Renton.

The table values are further adjusted for:

Atypical heat (i.e., individual heat for buildings older than 1951 and central heat for newer buildings). This represents the amount considered unrecoverable by increased rent:

+ or - \$175

Pool:

For 4-plexes +\$375

5 – 9 units +\$200

10-19 units +\$100

20-99 units +\$20

100 + units +\$12

Elevator:

For 4-plexes +\$1,200

5 – 9 units +\$500

10-19 units +\$250

20–99 units +\$85

100 + units +\$65

High-priced Properties:

+ 6% for complexes of 100 or more units and with an effective gross income per unit greater than \$11,500

Average Unit Size:

-4% for properties with average unit size less than 550 square feet.

+4% for properties with average unit size greater than 950 square feet.

+7% for properties with average unit size greater than 1,100 square feet.

Real Estate Taxes

Computed by multiplying previous year's assessed value by that year's levy rate, then added to base figure above.

## Overall rates and gross income multipliers

The overall rates used in the model were determined using information in the Assessor's sales files and published reports. Dividing the net income by the capitalization rate yields the indicated value by the income approach.

An indicated value is also generated by multiplying a gross income multiplier by the potential gross income. The table below contains the overall rates and gross income multipliers used in the model. For mixed-use properties overall rates ranged from 6.5% to 10.5%. Moorage income is capitalized using an overall rate of 9.0%. For mixed-use properties and properties with moorage a blended overall rate is used.

Year Built	# of Units	Overall Rates			Gross Income Multipliers		
		Cent/North	South	East	Cent/North	South	East
Older than 1926	4 - Plex	5.20%	6.70%	5.70%	12.00	9.50	10.80
	5 - 9 Un	5.30%	6.90%	5.80%	11.60	9.20	10.20
	10 - 19 Un	5.40%	7.00%	5.90%	10.50	8.50	9.80
	20 - 99 Un	5.60%	7.20%	6.10%	9.30	6.60	8.50
	100 + Un	5.60%	7.20%	6.10%	9.30	6.60	8.50
1926 - 1945	4 - Plex	4.90%	6.30%	5.40%	13.10	9.60	11.30
	5 - 9 Un	5.10%	6.50%	5.50%	12.10	9.30	10.70
	10 - 19 Un	5.20%	6.60%	5.60%	11.40	8.80	10.60
	20 - 99 Un	5.50%	6.70%	5.70%	10.00	7.30	9.50
	100 + Un	5.50%	6.70%	5.70%	10.00	7.30	9.50
1946 - 1950	4 - Plex	5.20%	6.50%	5.50%	11.80	9.30	11.10
	5 - 9 Un	5.30%	6.70%	5.60%	11.10	9.00	10.40
	10 - 19 Un	5.40%	6.90%	5.80%	10.50	8.40	10.30
	20 - 99 Un	5.60%	7.00%	6.00%	9.40	7.10	9.10
	100 + Un	5.60%	7.00%	6.00%	9.40	7.10	9.10
1951 - 1964	4 - Plex	5.30%	6.80%	5.60%	12.00	9.00	10.90
	5 - 9 Un	5.40%	7.00%	5.80%	11.20	8.70	10.20
	10 - 19 Un	5.50%	7.10%	5.90%	10.60	8.00	10.10
	20 - 99 Un	5.70%	7.40%	6.10%	9.50	6.80	8.80
	100 + Un	5.70%	7.40%	6.10%	9.50	6.80	8.80
1965 - 1974	4 - Plex	5.20%	6.70%	5.60%	12.00	9.10	11.20
	5 - 9 Un	5.40%	6.80%	5.70%	11.70	8.80	10.40
	10 - 19 Un	5.50%	7.00%	5.90%	11.00	8.10	10.30
	20 - 99 Un	5.70%	7.30%	6.10%	9.70	7.00	9.00
	100 + Un	5.70%	7.30%	6.10%	9.70	7.00	9.00
1975 - 1984	4 - Plex	5.10%	6.50%	5.60%	12.00	9.10	11.30
	5 - 9 Un	5.30%	6.70%	5.70%	11.60	8.80	10.70
	10 - 19 Un	5.40%	6.90%	5.80%	11.00	8.20	10.40
	20 - 99 Un	5.70%	7.10%	6.00%	9.80	7.10	9.10
	100 + Un	5.70%	7.10%	6.00%	9.80	7.10	9.10
1985 - 1993	4 - Plex	5.10%	6.30%	5.50%	12.60	9.20	11.50
	5 - 9 Un	5.30%	6.50%	5.60%	11.80	8.90	11.00
	10 - 19 Un	5.40%	6.80%	5.70%	11.40	8.50	10.50
	20 - 99 Un	5.70%	6.90%	5.90%	10.30	7.20	9.30
	100 + Un	5.70%	6.90%	5.90%	10.30	7.20	9.30
	4 - Plex	4.90%	6.00%	5.10%	12.80	10.30	12.40

<b>1994 +</b>	<b>5 - 9 Un</b>	5.00%	6.10%	5.20%	12.60	10.00	11.60
	<b>10 - 19 Un</b>	5.10%	6.30%	5.40%	11.80	9.70	11.40
	<b>20 - 99 Un</b>	5.30%	6.60%	5.60%	10.70	7.80	10.00
	<b>100 + Un</b>	5.30%	6.60%	5.60%	10.70	7.80	10.00

The above rates are further adjusted by the quality and condition of the building as indicated below:

<b>Adjustments</b>	<b>OAR</b>	<b>GIM</b>
Below Average Quality	+0.50%	-1.00
Above Average Quality	-0.10%	+0.30
Above Average Condition	+0.30%	-0.50
Above Average Condition	-0.05%	+0.25

## VALUE SELECTION

The model computes up to six indicators of value for each property (income approach, cost approach, multiple regression analysis on sales, gross income multiplier, individual comparable sales, and weighted value). The weighted value is based on the five other indicators of value. Most weight is placed on comparable sales and least weight is placed on the cost approach. The indicated value from individual comparable sales is optional. If the appraiser chooses to select individual comparable sales, that indication of value will become part of the weighted value. The appraiser may change the parameters of the different approaches and may select any total value.

In neighborhoods not scheduled for physical inspection the assessed values were updated without conducting a physical inspection. Properties with extreme valuation increases or decreases, multi-parcel properties, sale properties with proposed values deviating significantly from the sale price, properties with recent appeals, and properties with data problems are flagged and an appraiser checks the value and makes any necessary changes. The appraiser may choose to address the values on non-flagged parcels also. All other properties are valued using the weighted value as default.

## APPRAISAL-SALE RATIOS

Appraisal-sale ratios were computed for the apartments in the county. The appraisal-sale ratio is the assessed value divided by the sale price. It measures the level of assessment. The computations were done before and after the valuation process. The raw data is found in addenda "Ratios Before" and "Ratios After". Sales used occurred from 01/02/2003 to 12/30/2005. The ratio statistics after the valuation were greatly improved over the statistics before the valuation. The one exception was the price-related differential which measures vertical equity. It increased from 1.01 to 1.02 but that is still within acceptable standards. The

weighted mean ratio went from 0.84 to 0.99. The coefficient of dispersion improved from 14.65% to 11.42%, and the coefficient of variation improved from 18.65% to 15.91%.

## **USPAP Compliance**

### *Client and Intended Use of the Appraisal:*

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a mass appraisal report as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes. The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.*

### *Definition and date of value estimate:*

#### *Market Value*

*The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)*

#### *Highest and Best Use*

**WAC 458-12-330 REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

*All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.*

*If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Samish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Samish Gun Club v. Skagit County, 118 Wash. 578 (1922))*

*Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)*

#### *Date of Value Estimate*

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]*

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]*

*Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.*

#### *Property rights appraised:*

##### *Fee Simple*

*The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*

#### *Assumptions and Limiting Conditions:*

*No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*

*No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*

*No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*

*Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*

*The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot*

*be accurately predicted by the appraiser and could affect the future income or value projections.*

*The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*

*The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*

*No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*

*Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*

*The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*

*Any value attributable to personal property located in apartment properties is considered to be part of the value of the real estate.*

*I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

#### *Departure Provisions:*

*Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception*

#### *SR 6-2 (i)*

*The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.*



## **CERTIFICATION:**

*I certify that, to the best of my knowledge and belief:*

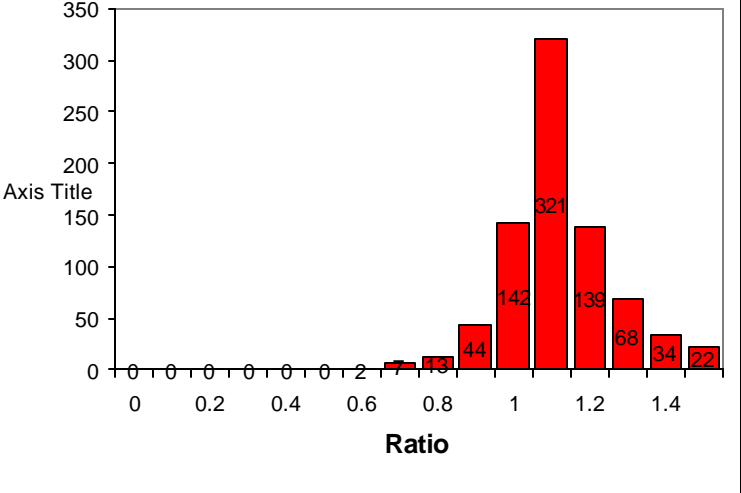
*The statements of fact contained in this report are true and correct*

- ✚ The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- ✚ I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- ✚ I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- ✚ My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- ✚ My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- ✚ My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- ✚ The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- ✚ The individuals listed the Executive Summary section of the apartment report were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification.*

**Area 100 – Apartments  
2006 Assessment Year**

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>		<b>Sales Dates:</b>
South Crew	1/1/2005	8/15/2006		1/2/2003 - 12/30/2005
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>		<b>Trend used?: Y / N</b>
100 (Entire County)	RDAV	Improvement		N
<b>SAMPLE STATISTICS</b>				
<b>Sample size (n)</b>	1497			
<b>Mean Assessed Value</b>	2,002,700			
<b>Mean Sales Price</b>	2,383,200			
<b>Standard Deviation AV</b>	6,354,199			
<b>Standard Deviation SP</b>	8,250,398			
<b>ASSESSMENT LEVEL</b>				
<b>Arithmetic mean ratio</b>	0.851			
<b>Median Ratio</b>	0.860			
<b>Weighted Mean Ratio</b>	0.840			
<b>UNIFORMITY</b>				
<b>Lowest ratio</b>	0.2766			
<b>Highest ratio:</b>	1.6918			
<b>Coefficient of Dispersion</b>	14.65%			
<b>Standard Deviation</b>	0.1588			
<b>Coefficient of Variation</b>	18.65%			
<b>Price-related Differential</b>	1.01			
<b>RELIABILITY</b>				
<b>95% Confidence: Median</b>				
Lower limit	0.852			
Upper limit	0.870	These figures reflect measurements before posting new values.		
<b>95% Confidence: Mean</b>				
Lower limit	0.843			
Upper limit	0.860			
<b>SAMPLE SIZE EVALUATION</b>				
<i>N (population size)</i>	9532			
<i>B (acceptable error - in decimal)</i>	0.05			
<i>S (estimated from this sample)</i>	0.1588			
<b>Recommended minimum:</b>	40			
<b>Actual sample size:</b>	1497			
<b>Conclusion:</b>	OK			
<b>NORMALITY</b>				
<b>Binomial Test</b>				
# ratios below mean:	710			
# ratios above mean:	787			
z:	1.964276822			
<b>Conclusion:</b>	<b>Non-normal</b>			
*i.e., no evidence of non-normality				

**Area 100 – Apartments  
2006 Assessment Year**

<b>Quadrant/Crew:</b>	<b>Lien Date:</b>	<b>Date:</b>		<b>Sales Dates:</b>
South Crew	1/1/2006	8/15/2006		1/2/2003 - 12/30/2005
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>		<b>Trend used?: Y / N</b>
100 (Entire County)	RDAV	Improvement		N
<b>SAMPLE STATISTICS</b>				
<b>Sample size (n)</b>	1497	<div style="text-align: center;"> <b>Ratio Frequency</b>  <p>The histogram shows the frequency distribution of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Axis Title' and ranges from 0 to 350. The bars are red with black outlines. The frequencies for each ratio bin are: 0.7-0.8: 7, 0.8-0.9: 13, 0.9-1.0: 44, 1.0-1.1: 142, 1.1-1.2: 321, 1.2-1.3: 139, 1.3-1.4: 68, 1.4-1.5: 34, 1.5-1.6: 22.</p> </div>		
<b>Mean Assessed Value</b>	2,353,600			
<b>Mean Sales Price</b>	2,383,000			
<b>Standard Deviation AV</b>	7,789,527			
<b>Standard Deviation SP</b>	8,250,443			
<b>ASSESSMENT LEVEL</b>				
<b>Arithmetic mean ratio</b>	1.011			
<b>Median Ratio</b>	1.005			
<b>Weighted Mean Ratio</b>	0.988			
<b>UNIFORMITY</b>				
<b>Lowest ratio</b>	0.4734			
<b>Highest ratio:</b>	2.0337			
<b>Coefficient of Dispersion</b>	11.42%			
<b>Standard Deviation</b>	0.1608			
<b>Coefficient of Variation</b>	15.91%			
<b>Price-related Differential</b>	1.02			
<b>RELIABILITY</b>				
<b>95% Confidence: Median</b>				
Lower limit	1.000			
Upper limit	1.011	These figures reflect measurements after posting new values.		
<b>95% Confidence: Mean</b>				
Lower limit	1.002			
Upper limit	1.019			
<b>SAMPLE SIZE EVALUATION</b>				
<b>N (population size)</b>	9532			
<b>B (acceptable error - in decimal)</b>	0.05			
<b>S (estimated from this sample)</b>	0.1608			
<b>Recommended minimum:</b>	41			
<b>Actual sample size:</b>	1497			
<b>Conclusion:</b>	OK			
<b>NORMALITY</b>				
<b>Binomial Test</b>				
# ratios below mean:	783			
# ratios above mean:	714			
z:	1.757510841			
<b>Conclusion:</b>	Normal*			
*i.e., no evidence of non-normality				

**Improvement Sales for Area 100 with Sales Used 08/15/2006**